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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 003844

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TAGS: [ECON](#) [EPET](#) [ENRG](#) [PGOV](#) [PTER](#) [IZ](#)
SUBJECT: NINEWA: KEROSENE SHORTAGE THREATENS AGAIN

REF: A. BAGHDAD 473
[1](#)B. BAGHDAD 2618

Classified By: Classified by Ninewa PRT Leader Alex Laskaris, Reasons 1
.4 (b,d)

This is a Ninewa Provincial Reconstruction Team (PRT) message.

Summary

[1](#)1. (C) Over the last two winters, Ninewa residents suffered from a severe shortage of kerosene, which they use for cooking and home heating in the province's sub-freezing winters. Despite efforts by the Director of the Northern Oil Products Distribution Company (NOPDC) to obtain either larger allocations of kerosene or permission to import from Turkey, Baghdad has refused to support either option. However, the NOPDC has also failed to pick up all of its kerosene allocation for Ninewa, exacerbating the situation. Without policy change in the near future, citizens of Ninewa face the prospect of another winter of kerosene shortages. End Summary.

Expected Demand Will Exceed Supply, Again

[1](#)2. (C) During a November 9 meeting with the PRT, Muhammad Ahmed al Zibari, Director of the Northern Oil Products Distribution Company (NOPDC), outlined his concerns that northern Iraq is facing the possibility of another significant kerosene shortage in the coming winter. The NOPDC is responsible for distributing refined petroleum products across the five northern provinces and in the KRG. Zibari shared some of his correspondence with the Ministry of Oil (MoO) and claimed he has not received any answer to his requests for either an increased allocation or permission to import. Clearly frustrated by Baghdad's lack of response, Zibari predicted a real crisis in the winter months as demand would far exceed kerosene supplies.

[1](#)3. (C) According to the documents provided by Zibari, in August, the NOPDC estimated that Ninewa's 573,000 families (total population of 2.78 million) would require 8.405 million liters of kerosene/day to meet what he described as the "historic" supply level of 440 liters per family per month for the winter months. However, Ninewa's daily allocation was only 1.044 million liters -- a shortfall of 70%. In August or September, a new projection was made using a reduced allocation of 440 liters/three months, or about 145 liters per family per month. In October, another change was made lowering the count of Ninewa's population to 486,000 families. With these changes, the projection for Ninewa's

kerosene allocation dropped to 213.9 million liters; but these changes notwithstanding, Zibari says that the MoO only authorized 84.3 million liters -- a shortfall of 61%. (COMMENT: According to the GoI election statistics, Ninewa's population is approximately 2.9 million, so it is unclear why the number of Ninewa's families was reduced.) Two things appear clear -- domestic capacity cannot meet the historic demand level of 440 liters/month per family or even the reduced allocation of 440 liters/three months per family and that the MoO has not come up with a plan to meet the expected increase in winter kerosene demand.

NOPDC Leaves (Some) Kerosene on the Table

14. (C) Zibari also continues to complain that the Bayji Oil Refinery (BOR) does not even fill up the trucks that he sends for pick-up, to say nothing of receiving his actual allocation. However, on the flip side of the equation, Dr. Obeidi, the BOR Director, has reassured 1AD DCG-S BG Thomas QObeidi, the BOR Director, has reassured 1AD DCG-S BG Thomas that he will fill any and all trucks that arrive at Bayji. Since August, 1AD has expended considerable effort tracking product pick-ups from the BOR, and their reporting shows that although NOPDC kerosene pick-ups for Ninewa clearly lagged in August and September, the pick-up rate has improved in October and into November. (NOTE: 1AD calculations are based on their understanding of MoO allocations.) On the whole, pickups are now nearly 100% of allocation.

Month	Allocation	Pickup	% Pickup
AUG	995	836	84%

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SEP	838	755	90%
OCT	837	932	111%
NOV (11/16)	432	505	117%
TOTAL	3102	3028	98%

Note. Unit of measure is 36,000 liter tanker truck load.

15. (C) On average, the NOPDC has picked up about 1 million liters of kerosene per day for Ninewa, which is several hundred thousand liters short of the provincial allocation based on MoO allocation documents. For the four weeks where we have actual MoO documents, Ninewa's average allocation was 1.350 million liters/day. Thus, for these four months, the NOPDC may have left as much as 37.8 million liters unclaimed at Bayji. We do not clearly know whether the fault lies with the NOPDC for failing to send enough trucks or with the BOR for failing to load all the trucks sent by the NOPDC, but the problem continue to linger unsolved.

16. (C) Zibari also claims that the BOR operates on a reduced schedule, opening only at 9:00 AM, instead of 7:00 AM and sometimes closing before 5:00 PM. He stated that the BOR does not have enough loading facilities to handle all the trucks that he sends. While both points are valid issues to raise the overall capacity of the BOR to distribute products, since Ninewa is not even picking up its full allocation, they are not the only, or perhaps even the main, cause of the provincial shortage in kerosene.

And so, What's the Point?

17. (C) Extrapolating the current information to the end of November, the NOPDC could pick up about 99.7% of Ninewa's allocation (3470 of 3480 tanker loads), or about 124.9 million liters of kerosene, if it continues at its current pace of operations. Even adding in the 37.8 million liters (para 5) that may have been left on the table only brings the total to 162.7 million liters. However, the September 25 NOPDC report showed that Ninewa would need 213.9 million liters, even to provide even the much reduced allocation to

Ninewa's citizens for the same period. This shortfall is what concerns Zibari.

Storage Situation is Bleak, But Price Are Stable

18. (C) Zibari reports that his storage depots have relatively little kerosene in reserve. His depots can hold 60.5 million liters of kerosene, but only have about 12.8 million liters on hand. Clearly, if Zibari had been able to pick up enough kerosene to stock his depots, this 60 million liters would have at least made up the difference between pickups and the much-reduced kerosene ration. It still would not have provided enough reserve to allow citizens to draw the 440 liters/month that they received before 2006. Zibari said he funded a public information campaign through the summer, urging the public to save up kerosene, and we have heard isolated reports that some stockpiling of kerosene has occurred. In reality, economic necessity likely forced Ninewa's citizens to sell their kerosene rations to black marketeers during the summer in order to get enough money to buy essentials during the summer, without regard to the need for winter stockage.

19. (U) IQATF reports that kerosene prices on the black market in and around Mosul have been relatively stable over the past several months, ranging from two to three times the posted government rate of 220-250 ID/liter. Undoubtedly, as winter approaches, the price will move higher as families must purchase kerosene on the open market because the GoI ration is less than what it was in the past. This extra expense will be an additional burden on Ninewa's already hard-pressed citizens, facing a fourth year of drought and uncertain economic times.

Baghdad Response Inadequate

110. (C) Until 2006, Ninewa's families received 440 liters of kerosene each month. Last winter, the NOPDC could not provide enough kerosene to meet provincial demand, and the MoO only authorized imports from Turkey after the start of

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the year, far too late to ensure that Ninewa residents actually received any kerosene during the cold season (ref A). In July, Zibari described his fruitless efforts to get the MoO to start planning for winter kerosene needs (ref B), and the situation has not improved in the intervening four months. The MoO continues to deny permission to import kerosene into the north, although Zibari said the oil distribution companies responsible for southern and central Iraq are already importing kerosene from the Gulf States and Iran. According to recent ITAO reporting, Iraq is importing approximately 1.1 million liters of kerosene daily, mostly from Iran, though their target is 2 million liters per day.

111. (C) Zibari commented that the BOR has plenty of refined products just sitting in their tanks, if he could only get permission to draw more. IAD reporting confirms that the BOR consistently has had significant quantities of kerosene on hand over the past four months. We understand that the MoO considers this stored product as a strategic stockpile to address consumption shortfalls. When pressed about BOR reports that NOPDC was not sending enough trucks to pick up its allocation, Zibari said he always tries to send enough trucks and claims that he could easily send more trucks, if his allocation were increased. He added that the MoO has recently ordered the BOR to start shipping 1 million liters/day of kerosene to Baghdad, even though the northern provinces still face a likely shortfall for the winter.

COMMENT

¶12. (C) Exactly where all of Ninewa's refined products end up is still something of a mystery, despite months of IAD and PRT efforts to gain clarity. The concern has always been that black market kerosene profits were a major source of funds for the insurgency. However, these concerns notwithstanding, Ninewa's citizens are facing the prospect of another winter of lower kerosene supplies and higher prices. It is probably too late to easily head off the crisis, but increasing Ninewa's kerosene authorization and the NOPDC's distribution capacity is one solution that could be implemented with seeming ease. The BOR has plenty of kerosene, and Zibari claims that he can send more trucks. At a minimum, the government should test this course of action. Given that the MoO is already importing kerosene, there is the possibility that some imports will eventually make their way to Ninewa, though there is the question of why the northern provinces, which suffer more from winter, have not been the priority recipients of kerosene.

¶13. (C) While this report has focused on Ninewa, Zibari claims that the other northern provinces face the same situation. GoI action to route some of Iraq's kerosene imports to the northern provinces, where this fuel will soon be urgently needed for heating and cooking, would show GoI concern for the welfare of Ninewa's citizens and address a common complaint we hear that the central government has abandoned the province. Absent GoI action, Ninewa's residents will face another cold winter with little recourse but to buy high-priced black market kerosene, undermining the positive results of recent security operations in Mosul.
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